

Message Text

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PASS EXIM BANK

E.O. 11652: N/A

TAGS: EQIP, ETRD, KS

SUBJ: CHEMICAL FIBRE PLANT SALES TO ROK

REF: STATE 78296

1. EMBOFF ARRANGED FOR AND ACCOMPANIED EUGENE H. REMMER, PRES. OF CHEMTX, INC. AND NORMAN W. ROOKER, VICE PRESIDENT OF CHEMTEX FIOERS, INC. IN CALLS ON ROK ECONOMIC PLANNING BOARD ECON. COOPERATION BUREAU DIRECTOR TCHAH, HWA JUNE AND OTHER OFFICIALS, APRIL 2 AND 6, 1976.

2. REMMER DESCRIBED RECENT DISCUSSIONS WITH EXIM PRESIDENT AND EXECUTIVE VICE PRESIDENT AT WASHINGTON CONCERNING METHOD OF STRETCHING AND/OR LEVERING AVAILABLE EXIM GUARANTEE RESOURCES. HE OUTLINE THE THREE PROJECTS NOW BEING NEGOTIATED BY CHEMTEX IN KOREA AND EXPRESSED INTEREST IN KNOWING WHETHER SUCH AN APPROACH BY EXIM WOULD BE ACCEPTABLE TO ROKG. REMMER HAD INFORMED EMBOFF THAT HE ALSO HAD IN MIND EXIM ADVICE THAT PROJECTS COULD RECEIVE CONSIDERATION ONLY IF THEY COULD BE INCLUDED IN ROKG PROJECT PRIORITY LIST (PARA 2 SENTENCE 2 REFTEL). REMMER WISHED TO CLARIFY ROKG POLICIES, PROCEDURES AND CURRENT GUIDELINES AFFECTING CHEMTEX NEGOTIATIONS WITH DAEHAN, SAM YANG AND TONG YANG. INASMUCH AS TCHAH HAS ONLY RECENTLY TRANSFERRED FROM BUREAU OF FOREIGN CAPITAL MANAGEMENT AND REMMER HAD NOT CONSULTED EPO DURING MANY PREVIOUS VISITS TO ROK, DISCUSSIONS WERE EDUCATIONAL NOR ALL

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PARTICIPANTS.

3. TCHAH STATED THAT EPB PRIORITY LIST TRANSMITTED TO US EXIM IN LATE FEBRUARY 1976, CONSTITUTES THOSE PROJECTS OF GREATEST IMPORTANCE TO THE ROKG FOR EXIM LOAN REPEAT LOAN CONSIDERATION AND IS NOT RPT NOT INTENDED TO REFLECT PRIORITIES AS FAR AS EXIM GUARANTEES ARE CONCERNED. LIST IS NOT IMMUTABLE AND MUST BE ADJUSTED FROM TIME TO TIME ON THE BASIS

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OF NEW DEVELOPMENTS. IN THE LATTER CASE, THE THREE KOREAN PROJECTS HAVE BEEN LICENSED BY THE MINISTRY OF COMMERCE AND INDUSTRY (MCI) AND WILL BE APPROVED BY EPB AND THEN GUARANTEED BY THE KOREAN EXCHANGE BANK SO LONG AS FINAL AGREEMENTS BY CHEMTEX AND ROK FIRMS MEET CURRENT EPB/MOF GUIDELINES.

4. ESSENTIALLY, GUIDELINES CALL FOR 10 YEAR FINANCING AT LIBO PLUS 2 PERCENT INTEREST, OR WHERE POSSIBLE 1.5 TO 1.75 PERCENT INTEREST. CHEMTEX THINKING THAT EXIM LEVERAGE CAN BE MAXIMIZED WHERE FIRST SEVEN YEARS IS FINANCED COMMERCIALY AND EXIM GUARANTEE IS LIMITED SAY TO THE LAST SIX SEMIANNUAL PAYMENTS, WOULD ACCORDING TO TCHAH, BE PERFECTLY SUITABLE TO ROKG AND EVEN DESIRABLE IF ATTRACTIVE TO US EXIM. ROLE OF EPB IN SUCH TRANSACTIONS IS ONLY TO ASSURE THAT ROKG PAYMENT AND INTEREST GUIDELINES ARE MET. THEREFORE, MCI LICENSE ISSUANCE CONSTITUTED ROKG APPROVAL OF THE INVESTMENTS ON CONDITION THAT FINANCIAL GUIDELINES WOULD BE OBSERVED IN FINAL CONTRACT.

5. IN VIEW OF FACT THAT CHEMTEX IS DEALING WITH MAJOR KOREAN FIRMS, TCHAH INFORMED REMMER, IT MAY RELY ON ITS PARTNERS TO KEEP ABREAST AND INFORM IT OF GUIDELINES DURING NEGOTIATIONS. FINAL PACKAGE WOULD BE REVIEWED AND PROCESSED BY EPB WHICH WILL INFORM EXIM OF ROKG APPROVAL AND KEB GUARANTEE. EXIM DECISIONS TO GUARANTEE WOULD, OF COURSE, BE TAKEN INDEPENDENTLY IN THE LIGHT OF ITS INTERESTS.

6. EMBASSY COMMENT: SHOULD ABOVE PRESENTATION VARY WITH EXIM'S UNDERSTANDING RE ROKG VIEW OF ITS PRIORITY LIST, THAT SUBJECT MAY BE RAISED WITH TCHAH IN WASHINGTON MAY 13-15, 1976, WHEN HE WILL ACCOMPANY DEPUTY PRIME MINISTER NAM

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DUCK LOO IN DISCUSSIONS WITH EXIM AND IBRD. REMMER SATISFIED THAT NEGOTIATIONS WILL RESULT IN AGREEMENTS MEETING ROKG GUIDELINES AND INTENDS TO CONTACT EXIM OFFICIALS UPON RETURN

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